

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Vassar	County TUSCOLA
Fiscal Year End 6-30-06	Opinion Date 7-31-06	Date Audit Report Submitted to State 9-1-06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	N/A	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.		Telephone Number 989-673-3137	
Street Address 715 East Frank St. Caro, Michigan 48723-1623		City	State Zip
Authorizing CPA Signature 	Printed Name GARY R. ANDERSON	License Number 1101005446	

TOWNSHIP OF VASSAR

Tuscola County, Michigan

Report on Financial Statements
(with additional information)
June 30, 2006

TOWNSHIP OF VASSAR

PAGE NUMBER

INDEPENDENT AUDITOR'S REPORT

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ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA
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July 31, 2006

REPORT OF INDEPENDENT AUDITORS

Members of the Township Board
Township of Vassar
Tuscola County, Michigan

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Township of Vassar as of June 30, 2006 and for the year then ended, as listed in the Table of Contents, which collectively comprise the Township of Vassar's basic financial statements required by the accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Township of Vassar management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in the financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Township of Vassar's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Vassar, as of June 30, 2006, or changes in its financial position for the year then ended.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental financial information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Township of Vassar. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
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GENERAL PURPOSE FINANCIAL STATEMENTS

TOWNSHIP OF VASSAR
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2006

	GOVERNMENTAL FUND TYPE		FIDUCIARY FUND TYPE
	GENERAL	SPECIAL REVENUE	TRUST AND AGENCY
<u>ASSETS</u>			
Cash in Bank	\$ 456,380	\$ 152,061	\$ 2,346
Accounts Receivable	46,220		
Due from Other Funds	2,332		367
Land			
Buildings			
Equipment			
<u>TOTAL ASSETS</u>	<u>\$ 504,932</u>	<u>\$ 152,061</u>	<u>\$ 2,713</u>
<u>LIABILITIES & FUND EQUITY</u>			
Liabilities:			
Accounts Payable	\$ 11,363	\$ 13,666	
Accrued Payroll Taxes	145		
Due to Other Funds		367	\$ 2,332
Due to Other Governmental Units			381
Total Liabilities	<u>11,508</u>	<u>14,033</u>	<u>2,713</u>
Fund Equity:			
Investment in General Fixed Assets			
Fund Balances:			
Unreserved:			
Undesignated	291,639		
Designated	201,785	\$ 138,028	
Total Fund Equity	<u>493,424</u>	<u>138,028</u>	<u>-</u>
<u>TOTAL LIABILITIES & FUND EQUITY</u>	<u>\$ 504,932</u>	<u>\$ 152,061</u>	<u>\$ 2,713</u>

The accompanying notes are an integral part of the financial statements.

<u>ACCOUNT GROUP</u>	TOTALS (MEMORANDUM ONLY) PRIMARY GOVERNMENT	
	<u>JUNE 30, 2006</u>	<u>JUNE 30, 2005</u>
<u>GENERAL FIXED ASSETS</u>		
	\$ 610,787	\$ 579,058
	46,220	46,773
	2,699	2,762
\$ 37,686	37,686	37,686
68,244	68,244	68,244
57,340	57,340	57,340
<u>\$ 163,270</u>	<u>\$ 822,976</u>	<u>\$ 791,863</u>
	\$ 25,029	\$ 15,635
	145	1,118
	2,699	2,762
	381	840
	28,253	20,355
\$ 163,270	163,270	163,270
	291,639	300,108
	339,813	308,130
163,270	794,722	771,508
<u>\$ 163,270</u>	<u>\$ 822,975</u>	<u>\$ 791,863</u>

TOWNSHIP OF VASSAR
 Combined Statement of Revenues, Expenditures and Changes
 In Fund Balances - All Governmental Fund Types
 For the Year Ended June 30, 2006

			TOTALS (MEMORANDUM ONLY) PRIMARY GOVERNMENT	
			JUNE 30, 2006	JUNE 30, 2005
	GENERAL	SPECIAL REVENUE		
REVENUES:				
Property taxes	\$ 78,621		\$ 78,621	\$ 74,988
Trailer park fees	864		864	646
Licenses & permits	3,017		3,017	3,250
Vassar Township Agg. Royalties	49,793		49,793	36,198
State revenue sharing	318,515		318,515	318,938
Charges for services:				
Property tax administration	16,342		16,342	15,413
Fire protection	-		-	-
Interest	13,363	\$ 2,212	15,575	5,480
Metro act revenue	8,489		8,489	-
Special assessment - refuse		138,435	138,435	138,251
Other revenue		52	52	0
TOTAL REVENUES	489,004	140,699	629,703	593,164
EXPENDITURES:				
Legislative:				
Township Board	14,248		14,248	12,805
General Government:				
Supervisor	9,046		9,046	8,740
Elections	1,820		1,820	1,968
Assessor	33,799		33,799	32,885
Professional services	10,052		10,052	19,453
Clerk	10,792		10,792	11,292
Board of Review	992		992	980
Treasurer	10,716		10,716	11,003
Township Hall	18,650		18,650	12,312
Public Safety:				
Police protection	72,635		72,635	64,056
Fire protection	51,161		51,161	62,070
Ambulance	35,328		35,328	35,288
Public Works:				
Highways & streets	152,543		152,543	113,922
Drains at Large	-		-	322
Sanitation	-	159,457	159,457	125,728
Planning & zoning	8,899		8,899	8,967
Cemetery	100		100	100

TOWNSHIP OF VASSAR
Combined Statement of Revenues, Expenditures and Changes
In Fund Balances - All Governmental Fund Types
For the Year Ended June 30, 2006

			TOTALS (MEMORANDUM ONLY) PRIMARY GOVERNMENT	
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>JUNE 30, 2006</u>	<u>JUNE 30, 2005</u>
EXPENDITURES, (Continued):				
Recreation & Culture:				
Parks & recreation	\$ 1,900		\$ 1,900	\$ 1,900
Other Functions:				
Payroll taxes	3,270		3,270	4,846
Insurance	7,893		7,893	7,855
Tuscola County EDC	-		-	-
Miscellaneous	3,188		3,188	2,571
TOTAL EXPENDITURES	447,032	\$ 159,457	606,489	539,063
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	41,972	(18,758)	23,214	54,101
FUND BALANCE - JULY 1	451,452	156,786	608,238	554,137
FUND BALANCE - JUNE 30	<u>\$ 493,424</u>	<u>\$ 138,028</u>	<u>\$ 631,452</u>	<u>\$ 608,238</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF VASSAR
Combined Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget & Actual -
General and Special Revenue Funds
For the Year Ended June 30, 2006

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES:			
Property taxes	\$ 73,000	\$ 78,621	\$ 5,621
Trailer park fees	2,000	864	(1,136)
Licenses & permits	1,500	3,017	1,517
Vassar Township Agg. Royalties	30,000	49,793	19,793
State revenue sharing	322,688	318,515	(4,173)
Charges for services:			
Property tax administration	15,000	16,342	1,342
Fire protection	3,500	-	(3,500)
Interest	2,500	13,363	10,863
Metro act revenue	-	8,489	8,489
Special assessment - refuse			-
Other Revenue			
TOTAL REVENUES	450,188	489,004	38,816
EXPENDITURES:			
Legislative:			
Township Board	15,200	14,248	952
General Government:			
Supervisor	9,750	9,046	704
Elections	7,200	1,820	5,380
Assessor	89,156	33,799	55,357
Professional services	23,000	10,052	12,948
Clerk	14,700	10,792	3,908
Board of Review	1,120	992	128
Treasurer	12,380	10,716	1,664
Township Hall	49,600	18,650	30,950
Public Safety:			
Police protection	72,500	72,635	(135)
Fire protection	64,633	51,161	13,472
Ambulance	40,480	35,328	5,152
Public Works:			
Highways & streets	210,000	152,543	57,457
Drains at large	500	-	500
Sanitation	-	-	-
Planning & zoning	14,550	8,899	5,651
Cemetery	200	100	100

SPECIAL REVENUE FUNDS			TOTALS (MEMORANDUM ONLY)		
BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
		-	\$ 73,000	\$ 78,621	\$ 5,621
		-	2,000	864	(1,136)
		-	1,500	3,017	1,517
		-	30,000	49,793	19,793
		-	322,688	318,515	(4,173)
		-	15,000	16,342	1,342
		-	3,500	-	(3,500)
	\$ 2,212	\$ 2,212	2,500	15,575	13,075
		-	-	8,489	8,489
\$ 146,792	138,435	(8,357)	146,792	138,435	(8,357)
	52	52	-	52	52
146,792	140,699	(6,093)	596,980	629,703	32,723
		-	15,200	14,248	952
		-	9,750	9,046	704
		-	7,200	1,820	5,380
		-	89,156	33,799	55,357
		-	23,000	10,052	12,948
		-	14,700	10,792	3,908
		-	1,120	992	128
		-	12,380	10,716	1,664
		-	49,600	18,650	30,950
		-	72,500	72,635	(135)
		-	64,633	51,161	13,472
		-	40,480	35,328	5,152
		-	210,000	152,543	57,457
		-	500	-	500
146,792	159,457	(12,665)	146,792	159,457	(12,665)
		-	14,550	8,899	5,651
		-	200	100	100

TOWNSHIP OF VASSAR
Combined Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget & Actual -
General and Special Revenue Funds
For the Year Ended June 30, 2006

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
EXPENDITURES, (Continued):			
Recreation & Culture:			
Parks & recreation	\$ 1,980	\$ 1,900	\$ 80
Other Functions:			
Payroll taxes	4,000	3,270	730
Insurance	8,500	7,893	607
Tuscola County EDC	-	-	-
Miscellaneous	83,700	3,188	80,512
TOTAL EXPENDITURES	723,149	447,032	276,117
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(272,961)	41,972	314,933
FUND BALANCE - JULY 1	451,452	451,452	-
FUND BALANCE - JUNE 30	\$ 178,491	\$ 493,424	\$ 314,933

The accompanying notes are an integral part of these financial statements.

SPECIAL REVENUE FUNDS			TOTALS (MEMORANDUM ONLY)		
BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
		-	\$ 1,980	\$ 1,900	\$ 80
		-	4,000	3,270	730
		-	8,500	7,893	607
		-	-	-	-
		-	83,700	3,188	80,512
\$ 146,792	\$ 159,457	\$ (12,665)	869,941	606,489	263,452
-	(18,758)	(18,758)	(272,961)	23,214	296,175
156,786	156,786	-	608,238	608,238	-
<u>\$ 156,786</u>	<u>\$ 138,028</u>	<u>\$ (18,758)</u>	<u>\$ 335,277</u>	<u>\$ 631,452</u>	<u>\$ 296,175</u>

TOWNSHIP OF VASSAR, TUSCOLA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF TOWNSHIP OPERATIONS & FUND TYPES:

The Township of Vassar, Tuscola County, Michigan covers an area of approximately 36 square miles within Tuscola County. The Township operates under an elected Board of Trustees (5 members) and provides services to its more than 3,800 residents in many areas including law enforcement, administration of justice, community enrichment, development and human services.

The financial statements of the Township of Vassar have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Township chose not to adopt GASB 34, which is required by GAAP. This departure from GAAP is also noted in the audit report letter. The more significant of the government's accounting policies are described below.

A. REPORTING ENTITY:

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, the Financial Reporting Entity.

Based upon the application of these criteria, the general purpose financial statements of the Township of Vassar contain all the funds and account groups controlled by the Township's Board of Trustees as no other entity meets the criteria to be considered a blended component unit or a discretely presented component of the Township nor is the Township a component unit of another entity.

B. FUND ACCOUNTING:

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into two categories: governmental and fiduciary. Each category, in turn, is divided into separate "fund types".

GOVERNMENTAL FUNDS - are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital project funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other funds.

FIDUCIARY FUNDS - are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government.

TOWNSHIP OF VASSAR, TUSCOLA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

B. FUND ACCOUNTING, (Continued):

ACCOUNT GROUPS – are used to account for fixed assets and long-term liabilities which are not reported in the respective governmental funds.

C. BASIS OF ACCOUNTING:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increase (i.e. revenues and other financing sources) and decrease (i.e. expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used to revenue recognition for all other governmental fund revenues susceptible to accrual. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Those revenues susceptible to accrual are property taxes, federal and state grants, special assessments, licenses, interest revenue and charges for services. Fines, permits and sales tax and other state revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The government reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise the resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D. BUDGETS AND BUDGETARY ACCOUNTING:

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

Encumbrances represent commitments related to unperformed contracts for goods or services. The Township does not utilize encumbrance accounting.

TOWNSHIP OF VASSAR, TUSCOLA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

E. CASH AND EQUIVALENTS:

Cash includes amounts in petty cash and demand deposits. Investments included instruments allowed by state statute subsequently described. Investments are carried at fair market value.

State statutes authorized the Township to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, Federal Savings and Loan Insurance; Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase and not totaling more than 40% of any fund at any time. The Township is also authorized to invest in U.S. Government of federal agency obligation repurchase agreements, bankers' acceptance of U.S. banks, and mutual funds composed of investments as outlined above.

F. RECEIVABLES:

Receivables consist primarily of amounts for taxes and customers charges. No allowance for doubtful accounts is considered necessary and credit risk is minimal because of the large number of customers and the authority of the Township to add receivables to the tax rolls, which are secured by the underlying property.

G. FIXED ASSETS:

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued to cost where historical records are available and at an estimated historical cost where no historical record exist. Donated fixed assets are valued at their estimated fair market value on the date received. Fixed assets purchased within the proprietary funds and the non-expendable trust fund are reported as assets within those funds an accordingly, are included on their balance sheet.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government. Primarily because of this policy, total expenditures for capital improvements in the governmental funds do not equal total additions to the general fixed assets account group.

TOWNSHIP OF VASSAR, TUSCOLA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

H. ACCUMULATED UNPAID BENEFITS:

Employees are not allowed to accumulate vacation and sick pay and therefore, no amount has been shown in the General Long-Term Debt Group of Accounts in accordance with Governmental Accounting Standards Board's Statement No. 16 "Accounting for Compensated Absences."

I. FUND EQUITY:

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

J. INTERFUND TRANSACTIONS:

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-reoccurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

K. MEMORANDUM ONLY - TOTAL COLUMNS:

The total columns on the combined statements are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. Prior year memorandum total amounts have been updated for comparative purpose.

L. ESTIMATES:

The preparation of financial statements in conformity with the U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TOWNSHIP OF VASSAR, TUSCOLA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 2 - PROPERTY TAX REVENUE:

Property taxes become an enforceable lien on the property as of December 1. Taxes are levied on December 1 and are due in February of the following year. The Township bills and collects its own property taxes and also taxes for the county, intermediate school district and school districts. All tax collections are accounted for in the tax collection fund, an agency fund. Township tax revenues are recognized in the fiscal year that includes the December 1 levy date. The Township levied a general millage of 1.0456 mills on a taxable value of \$73,606,723.

The Township participates in the Tuscola County Delinquent Tax Fund that purchases all of the uncollected property tax of the Township each year. Settlement with the County for all uncollected taxes is received by the Township.

NOTE 3 – INVESTMENT IN GENERAL FIXED ASSETS:

The general fixed assets of the Township consist of the following:

	BALANCE JULY 1, 2005	<u>ADDITIONS</u>	<u>DELETIONS</u>	BALANCE JUNE 30, 2006
Land	\$ 37,686			\$ 37,686
Buildings	68,244			68,244
Equipment	<u>57,340</u>	<u>NONE</u>	<u>NONE</u>	<u>57,340</u>
Total	<u>\$163,270</u>	<u>NONE</u>	<u>NONE</u>	<u>\$163,270</u>

NOTE 4 – DEPOSITS AND INVESTMENTS:

As of June 30, 2006, the Township had no investments.

Interest rate risk. In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

TOWNSHIP OF VASSAR, TUSCOLA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 4 – DEPOSITS AND INVESTMENTS, (Continued):

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of June 30, 2006, \$246,947 of the Township's bank balance of \$637,704 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

Foreign currency risk. The Township is not authorized to invest in investments which have this type of risk.

The Township's cash and cash equivalents at June 30, 2006 are composed of the following:

	CASH AND CASH EQUIVALENTS
General Fund:	
Deposits	\$456,380
Other Funds:	
Deposits	<u>154,407</u>
Total Deposits:	<u>\$610,787</u>

Additional disclosures required by GASB 40 are not included in the accompanying financial statements.

NOTE 5 – EMPLOYEE BENEFITS:

The Township pays no employee benefits. The Township also does not provide any post-employment benefits to retirees.

NOTE 6 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township carries commercial insurance to cover any losses that may result from the above-described activities. For insured programs, there has been no significant reduction in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 7 - LEGAL COMPLIANCE - BUDGETS:

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. On or prior to July 1 of each year, a proposed budget is submitted to the Board of Trustees for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayers comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.

TOWNSHIP OF VASSAR, TUSCOLA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 7 - LEGAL COMPLIANCE – BUDGETS, (Continued):

4. Any revisions of the budget must be approved by the Board of Trustees.
5. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds.
6. Budgets for general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Trustees during the fiscal year. Individual amendments were not material in relation to the original appropriations which were amended.
7. The budget is prepared by fund and function and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Expenditures may not exceed budget at the function level.

NOTE 8 – DUE TO AND FROM OTHER FUNDS:

Due to and from other funds balances at June 30, 2006 are as follows:

<u>FUND</u>	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
General Fund	\$2,332	
Refuse Fund		\$ 367
Current Tax Collection Fund	<u>367</u>	<u>2,332</u>
TOTAL	<u>\$2,699</u>	<u>\$2,699</u>

NOTE 9 – PENSION PLAN:

The Township has no pension plan.

NOTE 10 – DESIGNATED FUND BALANCE:

The fund balance in the General Fund has been designated by the Board for the purpose of recreation or new hall construction in the amount of \$201,785.

NOTE 11 – FIRE TRUCK:

On June 14, 2005, Vassar Township entered into an agreement with the City of Vassar to pay \$74,247 for the cost of a new fire truck for the City of Vassar. The interest rate is 4.75%. The annual payment amount is \$17,031 for principal and interest. The Township made payments in March 2005 and 2006. Future annual installments should be made on October 1, 2006, 2007, and 2008.

NOTE 12 – REAPPRAISAL CONTRACT:

At the August 9, 2005 board meeting, the Township approved a contract in the amount of \$70,000 for the reappraisal of all property within the township. The cost will be paid as work is completed. \$13,300 was paid during the year ended June 30, 2006.

SUPPLEMENTAL INFORMATION

TOWNSHIP OF VASSAR
Schedule of General Fund Expenditures
Year Ended June 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
Township Board:			
Salaries	\$ 3,000	\$ 3,000	\$ -
Operating supplies	1,000	741	259
Notices	2,500	1,381	1,119
Memberships & dues	3,000	2,429	571
Miscellaneous	5,700	6,697	(997)
Total Township Board	<u>15,200</u>	<u>14,248</u>	<u>952</u>
Supervisor:			
Salary	8,500	8,500	-
Supplies	400	-	400
Mileage	250	-	250
Telephone	600	546	54
Total Supervisor	<u>9,750</u>	<u>9,046</u>	<u>704</u>
Elections:			
Wages	5,000	1,031	3,969
Mileage	100	30	
Notices	100	-	
Operating expenses	2,000	759	1,241
Total Elections	<u>7,200</u>	<u>1,820</u>	<u>5,380</u>
Assessor:			
Salary	25,500	18,809	6,691
Operating supplies	2,300	1,690	610
Telephone	-	-	-
Appraisal	61,356	13,300	
Mileage		-	-
Total Assessor	<u>89,156</u>	<u>33,799</u>	<u>55,357</u>
Professional Services:			
Accounting	3,000	2,800	200
Attorney	20,000	7,252	12,748
Total Professional Services	<u>23,000</u>	<u>10,052</u>	<u>12,948</u>
Clerk:			
Salary	10,200	10,200	-
Salary - deputy	2,500	189	2,311
Operating supplies	1,500	271	1,229
Telephone	50	-	50
Mileage	450	132	318
Total Clerk	<u>14,700</u>	<u>10,792</u>	<u>3,908</u>

TOWNSHIP OF VASSAR
Schedule of General Fund Expenditures
Year Ended June 30, 2006

(Continued)	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
Board of Review:			
Per diem	\$ 1,000	\$ 950	\$ 50
Operating supplies	20	-	20
Mileage	50	-	50
Notices	50	42	8
	<u>1,120</u>	<u>992</u>	<u>128</u>
Total Board of Review	1,120	992	128
Treasurer:			
Salary	10,200	10,200	-
Salary - deputy	1,000	150	850
Operating supplies	1,000	146	854
Mileage	150	190	(40)
Miscellaneous	30	30	-
	<u>12,380</u>	<u>10,716</u>	<u>1,664</u>
Total Treasurer	12,380	10,716	1,664
Township Hall:			
Supplies	600	281	319
Utilities	4,000	3,577	423
Capital Outlay	10,000	400	9,600
Renovations	8,000	552	7,448
Repairs & maintenance	27,000	13,840	13,160
	<u>49,600</u>	<u>18,650</u>	<u>30,950</u>
Total Township Hall	49,600	18,650	30,950
Police Protection:			
Miscellaneous	500	-	500
Contracted services	72,000	72,635	(635)
	<u>72,500</u>	<u>72,635</u>	<u>(135)</u>
Total Police Protection	72,500	72,635	(135)
Fire Protection:			
Miscellaneous	2,500	3,225	(725)
Contracted services	62,133	47,936	14,197
	<u>64,633</u>	<u>51,161</u>	<u>13,472</u>
Total Fire Protection	64,633	51,161	13,472
Ambulance:			
Miscellaneous	480	480	-
Contracted services	40,000	34,848	5,152
	<u>40,480</u>	<u>35,328</u>	<u>5,152</u>
Total Ambulance	40,480	35,328	5,152
Highways & Streets:			
Repairs & maintenance	210,000	152,543	57,457
	<u>210,000</u>	<u>152,543</u>	<u>57,457</u>
Drains at large	500	-	500

TOWNSHIP OF VASSAR
Schedule of General Fund Expenditures
Year Ended June 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
(Continued)			
Planning & Zoning:			
Salaries & per diem	\$ 11,000	\$ 8,680	\$ 2,320
Mileage	300	19	281
Operating supplies	1,200	-	1,200
Notices	500	100	
Telephone	50	-	
Miscellaneous	1,500	100	1,400
Total Planning & Zoning	<u>14,550</u>	<u>8,899</u>	<u>5,651</u>
Cemetery	<u>200</u>	<u>100</u>	<u>100</u>
Parks & Recreation:	<u>1,980</u>	<u>1,900</u>	<u>80</u>
Payroll Taxes	<u>4,000</u>	<u>3,270</u>	<u>730</u>
Insurance	<u>8,500</u>	<u>7,893</u>	<u>607</u>
Tuscola County EDC	<u>-</u>	<u>-</u>	<u>-</u>
Miscellaneous	<u>83,700</u>	<u>3,188</u>	<u>80,512</u>
TOTAL EXPENDITURES	<u><u>\$ 723,149</u></u>	<u><u>\$ 447,032</u></u>	<u><u>\$ 276,117</u></u>

See the accompanying notes.

TOWNSHIP OF VASSAR
Schedule of Revenues, Expenditures
& Changes in Fund Balance - Refuse Fund
For the Year Ended June 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Special Assessment		\$ 138,435	
Interest		2,212	
Miscellaneous		52	
TOTAL REVENUES	<u>\$ 146,792</u>	<u>140,699</u>	<u>\$ (6,093)</u>
EXPENDITURES	146,792	159,457	(12,665)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(18,758)</u>	<u>(18,758)</u>
FUND BALANCE - JULY 1	<u>156,786</u>	<u>156,786</u>	
FUND BALANCE - JUNE 30	<u>\$ 156,786</u>	<u>\$ 138,028</u>	<u>\$ (18,758)</u>

See the accompanying notes.

TOWNSHIP OF VASSAR
Schedule of Changes in Assets & Liabilities -
Current Tax Collection Fund
Year Ended June 30, 2006

	<u>BALANCE</u> <u>7/1/2005</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>6/30/2006</u>
<u>ASSETS</u>				
Cash in bank	\$ 3,602	\$ 1,513,400	\$ 1,514,656	\$ 2,346
Due from other funds	-	138,802	138,435	367
<i>TOTAL ASSETS</i>	<u>\$ 3,602</u>	<u>\$ 1,652,202</u>	<u>\$ 1,653,091</u>	<u>\$ 2,713</u>
<u>LIABILITIES</u>				
Due to other funds	\$ 2,762	\$ 232,169	\$ 231,739	\$ 2,332
Due to other governmental units	840	1,420,922	1,420,463	381
<i>TOTAL LIABILITIES</i>	<u>\$ 3,602</u>	<u>\$ 1,653,091</u>	<u>\$ 1,652,202</u>	<u>\$ 2,713</u>

See the accompanying notes.